



Instr: 201104140014475 04/14/2011
 P: 1 of 4 F: \$44.00
 Rick Campbell 2:16PM LEAS
 Stark County Recorder T20110011416

Above space for official use only

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 040511-3

OIL & GAS LEASE

This AGREEMENT, made and entered into this 21 day of March, 2011, by and between This lease shall become effective on July 2nd 2012

John W. Mcguire (single)
 1708 16th Street SE

Massillon, Ohio 44646

hereinafter called Lessor, and Ohio Valley Energy Systems Corp., 200 Victoria Rd. Bldg. 4 Austintown, Ohio 44515 hereinafter called Lessee, do agree:

1. WITNESSETH, Lessor, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged and of the covenants and agreements herein contained, does hereby grant and lease unto Lessee all of the oil and gas and the constituents of either in and under the lands hereinafter described together with the exclusive right to explore for, drill and operate for, produce and market oil and gas and their constituents, the right to lay pipelines to transport oil and gas and their constituents from the lands leased hereunder and other lands, the right to build and install such tanks, equipment and structures ancillary thereto to carry on operations for oil and gas together with the right to enter thereon at all times and to occupy, possess and use so much of said premises as is necessary or convenient for all purposes described herein.

2. This lease covers all of Lessor's land in or adjoining Section/Lot _____ of City of Massillon Township/City/Village, Stark County, State of Ohio, containing 6 acres, more or less, described as in Volume 1635, Pages 901-902 of Stark County Records, and further described as parcel ID number(s): 617795 (the "premises"). 0612075, 0617658, 0617660 0617659 B.F. JK

3. This Lease shall remain in force for a term of 5 year(s) and as long thereafter as operations above are being conducted on the premises; or oil or gas is produced, or is capable of being produced. Said primary term shall be extended by virtue of filing an Application for Drilling Permit with the Ohio Department of Natural Resources, Division of Mineral Resource Management.

4. Lessor shall be paid as royalties a proportional share of one-eighth (1/8) of proceeds realized by Lessee on all oil and gas sold from any well on the premises or a unit which includes the premises, as the amount of Lessor's acreage in unit bears to total acreage in unit. Such proceeds shall be net of severance, ad valorem and any other taxes or charges levied against production. All payments due hereunder shall be made by check, and shall be deemed tendered when either delivered or mailed to Lessor or any of them at the above address. Lessor grants Lessee the authority to execute division orders or contracts for the sale of gas or oil.

5. If Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then the royalties provided for herein shall be paid to the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee agrees to pay Lessor the sum of \$25,000.00 payable upon drilling commencement activities (spudding) in the event a well is drilled on the leased premises.

7. Lessee shall provide and install at Lessee's expense a gas pipeline from one wellhead on the premises to within five feet of the utility service line where it enters one of Lessor's buildings. Lessee shall also install the necessary meters, regulators and other equipment at the wellhead. Lessee agrees to reimburse Lessor for the reasonable cost of all labor and equipment necessary

for the actual tie-in to Lessor's building, with Lessor assuming all control, risk and responsibility for tie-in equipment for the life of the well.

8. Lessor may take up to three hundred thousand (300,000) cubic feet of gas per year (July through June) from any one well located on the premises, free of charge, which can be used for any lawful purpose on the premises. Lessee and Lessor agree all gas in excess of the three hundred thousand (300,000) cubic feet per year may be purchased at average annual wellhead price plus fifty cents per mcf to cover administrative expenses. This provision shall be made subject to any objections, conditions, surcharges or restrictions imposed by any purchaser of gas produced from the leased premises. If Lessor fails to pay for any purchased gas, Lessee may deduct payment for such excess gas from any royalties accruing to Lessor. Lessor shall be bound by the reasonable rules and regulations established from time to time by Lessee relating to the use of said gas. Such service shall be subject to the Lessee's right of abandonment of any and all wells on the premises. Wellhead price shall be equal to that received by Lessee for gas sales. All gas taken by Lessor will be taken at Lessor's sole risk and Lessor shall indemnify Lessee from any claims relating to such use. Lessor's privilege of gas use as set forth herein is upon the condition that the taking of said gas shall not interfere with the normal daily operations of the well and Lessor's use of gas may be limited in regard to the capability of the well, in the sole judgment of Lessee. Lessee agrees to convert an annual free gas allotment of three hundred thousand (300,000) cubic feet of gas per year (July through June) into an annual cash payment to Lessor based on average annual wellhead price. Payment shall be made in July for the prior year. Wellhead price being defined as the price equal to that being received by Lessee for gas sales.

9. Lessor warrants and agrees to defend the title to the premises and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing levied, or assessed on or against the premises and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself for any payments due hereunder.

10. Should Lessee be delayed or prevented from complying with any express or implied covenant of this lease, from conducting any drilling or any other operations, or from producing oil or gas therefrom by reason of the operation of force majeure or any federal, state or local law or regulation, or by reason of any other cause beyond the control of Lessee, then while so delayed or prevented, Lessee's obligations to comply with such covenant or obligation shall be suspended. The term, both primary and secondary, hereof shall be extended while Lessee is delayed or prevented by any such cause. Lessor grants Lessee the authority to compromise or settle any disputes with governmental agencies relating to this lease or production therefrom.

11. Lessee shall notify Lessor, in writing, of its intention to plug any well located on the premises at least thirty (30) days before plugging. Lessor shall have the option to purchase said well and equipment at fair market salvage value provided it exercises said option in writing delivered to Lessee within 14 days after receipt of the notice. In the event that Lessor and Lessee cannot agree to a salvage value price, such price shall be determined by arbitration. Lessor and Lessee shall each choose an arbitrator, the two (2) of whom shall select a third arbitrator. The three (3) arbitrators shall establish a purchase price by majority vote which shall be immediately communicated to Lessor and Lessee. In the event Lessor decides not to purchase the well equipment, Lessor may still exercise the option to purchase the well on the premises for the sum of One Dollar and no cents (\$1.00); the "well" consisting of the top swedge, shut-off valve and the four and one-half (4-1/2) inch casing extending to the total depth. Upon well purchase, Lessor assumes all responsibilities set forth by the Ohio Department of Natural Resources pertaining to the well operations and will sign and file all documents required by the State to assume such responsibility.

12. All drill site location(s), temporary access road(s), pipeline(s) and tank battery location(s) shall be approved in writing by Lessor, which approval shall not be unreasonably withheld. All pipelines shall be buried at least three feet (3') underground except around production areas. All roads used solely by Lessee for egress and ingress shall be kept and maintained by Lessee; all above-ground equipment shall be painted by Lessee.

13. Lessee shall indemnify and save Lessor harmless from and against all claims, demands, actions, liabilities, losses, expenses (including reasonable attorney fees) and costs arising from the operation, repair, maintenance, installations, alteration, inspection, replacement, removal or renewal of any oil or gas well, pipeline and appurtenances thereto. Lessee shall have the option to select competent legal counsel to defend any action for which Lessee is indemnifying Lessor.



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14. Lessee shall pay all damages to Lessor's land, buildings or other improvements caused by its oil and gas operations. Said damages, if not mutually agreed upon, shall be ascertained and determined by three disinterested arbitrators; one thereof to be appointed by Lessor, one by Lessee, and the third by the two so appointed aforesaid, and the award of such three arbitrators shall be final and conclusive. If Lessor believes Lessee has breached any obligation under this lease, Lessor shall give Lessee written notice of such claim and Lessee shall have a reasonable time after receipt of such notice to correct or begin to correct any such claim. The giving of this notice and failure of Lessee to cure shall be a condition precedent to Lessor's right to commence any legal action against Lessee.

15. Lessee agrees to fence and maintain in a good and proper manner all production sites, storage areas, and/or surface installations. Said fencing shall be chain-link type or board on board of a size customarily used to keep people and animals out, the specific type of fencing being selected by Lessor in its reasonable judgment. All fencing shall be maintained in a good and proper manner by Lessee as long as oil and gas operations are being conducted. Lessee shall restore that portion of the leased premises used by Lessee to as near its prior condition as is reasonably practical upon completion of its operations thereon. Lessee shall plant reasonable trees and shrubs in order to improve the aesthetic impact of the installations. Restoration shall be completed as soon as possible following the completion of the well weather permitting and in accordance with Ohio Revised Code Section 1509.072.

16. Lessee agrees that the term "operations" as defined in this lease shall mean at which time Lessee has filed an Application for Drilling Permit with the Ohio Department of Natural Resources Division of Mineral Resources Management.

17. Lessee agrees to maintain the tank battery as to be capable of containing approximately 150% of any fluids stored in the tank battery. Lessee agrees to conduct its operations at all times so as to minimize any adverse impact to the land surrounding the premises and to maintain the wellhead and tank battery in a neat and orderly condition, free of noxious weeds.

18. Lessee agrees that this Lease covers and includes only oil and gas (including casing-head gas and other gaseous hydrocarbons), and byproducts from oil and gas and associated hydrocarbons that may be produced from the wellbore itself. Lessee agrees that no underground gas storage shall be allowed on the premises. Lessee agrees that no salt water disposal well shall be drilled on the premises nor shall any well drilled for oil and gas purposes be used at any time to dispose of salt water or any other deleterious substance.

19. Lessee agrees that it is the intention of this Lease, and therefore, the covenant and intention of Lessee, to develop the premises for oil and gas and operate on the premises in a diligent and efficient manner as a reasonably prudent operator so as to produce from the premises the maximum recovery of oil and gas consistent with good oil field practices of development and operations recognized in the oil and gas industry.

20. Lessee shall comply with all valid provisions of Chapter 1509 of the Ohio Revised Code and administrative rules promulgated thereunder.

21. Lessee is hereby granted the right at any time to unitize the premises or any portion thereof, as to any or all strata or stratum, with any other lands to form one or more units for the production of oil and/or gas and/or the constituents of either. In the event Lessor's land is unitized into a drilling and spacing unit but not drilled upon, then Lessee agrees to pay Lessor the sum of \$ 5,000.00 payable upon drilling commencement activities (spudding). No such unit shall embrace more than eighty acres for any well drilled above the base of the Queenston Shale and six hundred forty acres plus 10% tolerance for any well drilled below the base of the Queenston Shale; provided that if any governmental regulations shall prescribe a greater spacing pattern for the development of the field, then any such unit may embrace as much additional acreage as may be so prescribed. Operations upon, and production from, any such unit shall be treated as if such operations were upon or if such production were from the premises described in this lease whether or not the well or wells are located thereon, provided, however, that Lessee shall pay Lessor, in lieu of other royalties, only such proportion of the royalties stipulated in Paragraph 4 of this lease as the amount of its acreage placed in the unit, or its royalty interest therein on an acreage basis, bears to the total acreage in the unit, and further provided a), Lessor may take free gas as provided in paragraph 8 of this Lease from a unit well; b) Lessor shall receive the payment described in Paragraph 6 of this lease and c) Lessor shall have the right to purchase the well pursuant to Paragraph 11 of this lease only if said well is located on lands actually owned by Lessor.

22. Lessee may at any time surrender all or any part of this lease by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper county.

23. This lease and all its terms, conditions and stipulations shall extend to and be binding on all heirs, personal representatives, successors, and assigns of Lessor or Lessee. No change of ownership shall be binding on Lessee until Lessee has received adequate evidence of transfer. This lease contains all of the agreements and understandings of the Lessor and the Lessee respecting the subject matter hereof and no implied covenants or obligations, or verbal representations of promises, have been made or relied upon by Lessor or Lessee supplementing or modifying this lease or as an inducement thereto.

24. "Lessor and Lessee no leasehold interest may be assigned which would change or transfer the responsibility for operation of the well, without written consent from Lessor, which consent shall not be unreasonably withheld. This restriction in no way prevents Lessee from assigning working interests and leasehold interests which do not affect the operations of the well. Further this restriction does not prevent Ohio Valley Energy Systems, Corp. from operating said well."

Lessor:

John McGuire

John McGuire

Tax ID # or Social Security #

[REDACTED]

STATE OF OHIO)
COUNTY OF STARK)SS:

The foregoing instrument was acknowledged before me this 21 day of MARCH, 2011 by

John McGuire

(Lessor).

My Commission Expires: _____

Bonnie Sue Foster
Notary Public



BONNIE SUE FOSTER, NOTARY PUBLIC
In and for the State of Ohio
My Commission Expires July 4, 2011

This Instrument prepared by:
V052809(2)JKK
Version 110510

Ohio Valley Energy Systems Corp.
200 Victoria Rd, Bldg 4
Austintown, OH 44515